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# The Political-Security Environment in the Pacific: Evolutionary Change

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## **Introduction**

Three developments/factors appear to be critical in exploring the emerging political-security environment in the Pacific. First is the dramatic decline of the Soviet threat. In the 1970s, by contributing to the intensification of the Sino-Soviet conflict and the Soviet-American competition, and the normalization of Sino-American relations, the Soviet threat resulted in a *de facto* alignment of the United States, Japan, the Peoples Republic of China (PRC), the Republic of Korea (ROK), the Association of Southeast Asian Nations (ASEAN) countries, Australia, and New Zealand against the Soviet Union, Mongolia, Vietnam, Laos, and Cambodia. Despite their anomalous positions, Taiwan was a *de facto* member of the American-led coalition while the Democratic Peoples Republic of Korea (DPRK) was part of the Soviet bloc. The Soviet threat was, thus, an important determinant of the pattern of conflict and cooperation in the Pacific and the structure of security relations in the 1970s and 1980s. Changes in Soviet foreign policy beginning in 1985 made for a drastic erosion of the Soviet threat resulting in the normalization of Sino-Soviet relations in May 1989 and the ending of the Cold War in that year as well. The resulting rapprochement in major power relations can logically be expected to make for changes in the Pacific security environment.

Second is the fact of continuing intra-regional conflicts/disputes in the region. In the past the overlay of rivalries and conflicts among the major powers exacerbated and escalated local conflicts with negative consequences for systemic security.

Decline in competition among the major powers should logically lead to a de-escalation of these conflicts and possibly even facilitate their resolution. However, many of these conflicts have their own dynamics and defy quick resolution. It is, therefore, necessary to explore the impact of their continuation on the Pacific security environment. There is also the possibility of domestic conflicts assuming greater prominence because of the susceptibility of two major actors, the Soviet Union and China, to domestic turmoil. The Soviet Union is already in the midst of a deep political and economic crisis, and it is widely believed that in the post-Deng era there will be a power struggle in China with negative consequences for stability in that country. Thus the likely impact of domestic turmoil in these two countries on the political-security environment in the Pacific also merits exploration. However, because such developments are still in the speculative realm, and also because discussion of related domestic issues lie beyond the scope of this paper, domestic conflicts are discussed only as they relate to the other factors.

The third factor is the dynamism that characterizes the western Pacific economies. The changes in the relative weight of states, and the patterns of conflict and cooperation created by this dynamism can be expected to affect both the structure of the political-security environment and the basis for conflict and cooperation in the Pacific. Until about the early 1970s, the economic and technological strength of the United States underwrote the economic recovery/growth and the security of its Pacific allies. Subsequent to that, the relative decline in the American economic position, the ascendance of Japan as an economic power, and the ever increasing massive macro economic imbalances across the Pacific made for acrimonious economic relations between the United States and its key Pacific allies in the 1980s. Tensions in economic

relations, along with other factors, raised questions about the future security role of the United States in East Asia. For the most part, however, economic and security relations were kept on separate tracks, with the former still predominating, and helping to smooth friction in economic relations. With the end of the Cold War, the economic dimension, released from the constraints of traditional strategic considerations, may well become a more important determinant of political-security relations in the Pacific.

This paper seeks to examine how these three factors/developments have or may alter the structure of the political-security environment and the basis for conflict and cooperation in the Pacific. Before beginning this examination, it may be useful to briefly recapitulate the evolution that has occurred in the Pacific security environment over the last forty years.

#### **The Political-Security Environment in the Pacific: 1949-1989**

##### **Phase One: Dominance of Ideology, Tight Bipolarity and Hierarchy**

Two phases may be discerned in the post-World War II Pacific security environment. In the first phase, lasting approximately from 1949 to 1969-70, the ideological cum strategic conflict between the so-called "Free World" under the leadership of the United States and the "monolithic communist world" under the leadership of the Soviet Union provided the basis for conflict and cooperation. The structure of the system during this period may be described as "tight bipolar" and hierarchical. In political, economic, technological, and military terms the United States was the undisputed leader of the "Free World". Its economic (almost 50 percent of the world's GNP in 1950) and technological strength underwrote the economic recovery/growth and the security of its Pacific allies (Japan, South Korea, Taiwan, the Philippines, and Thailand). Washington, in pursuit of its strategic goal of containing international communism, and comfortable with its own economic superiority, generally subordinated short term national economic interests to global strategic considerations.

Similarly, at the outset, the Soviet Union was the

undisputed ideological, economic, technological, and military leader of the communist world. In the 1950s and early 1960s, the Soviet Union had the second largest economy in the world. Notwithstanding the Sino-Soviet rift, which surfaced in the mid to late fifties, the USSR continued to provide substantial economic and technological assistance to China until 1960, and to North Korea, Vietnam, and Mongolia well into the 1980s. Ideological and strategic considerations, not economic rationale, underscored Soviet relations with its allies in the Pacific.

The United States and the Soviet Union concluded several security treaties with countries in the region and provided substantial military assistance to them. A noteworthy character of these security treaties was that, with the exception of the now defunct SEATO<sup>1</sup> and truncated ANZUS agreements, they were all bilateral treaties with Washington and Moscow as the focal points. Lack of commitment to the cause of other regional states, local rivalries, and hostilities and/or a recognition of the weaknesses of fellow Asian countries accounted for this situation. Nearly all countries in the region, with the exception of Indonesia and Cambodia, were directly or indirectly allied or aligned with one of the two superpowers. The two superpowers and China intervened and supported local protagonists in domestic and regional conflicts such as those in Korea and Indochina. East Asia was the scene of "hot wars" during the Cold War. A zero sum approach characterized the policies and actions of the major powers, especially that of the US.

##### **Phase Two: Multiple Dynamics, Strategic Triangle, Conflict Specific Alignments**

Outbreak of Sino-Soviet border hostilities in 1968, reappraisal by the United States of its Asia policy under Richard Nixon, and Soviet military build-up in the Far East marked the beginning of the second phase which lasted approximately from 1970 to 1986-89.<sup>2</sup> The open split between China and the Soviet Union, and the American attempt to use the former to contain the latter, resulted in the so-called strategic triangle. Despite its aspiration to great power status and capacity for independent action, China did not have the necessary political, economic, and military weight to be a pole on par with the other two superpowers. While Chinese assistance to North Vietnam (until mid-1975) and

North Korea, support for Cambodia (first the resistance movement under Sihanouk during the 1970-75 period, later the Democratic Kampuchea government, and now the Coalition Government of Kampuchea) and alignment with Thailand since 1978 were important. Beijing was and is not an acknowledged leader of any group of countries. Its support for communist insurgency movements through much of the 1970s and other considerations resulted in the perception of China as a security threat by a number of non-communist countries. China's elevated status during this period was in large measure existential and derivative issuing from its physical location and the American perception of it as an invaluable component in the containment of the Soviet Union in Asia. This is not to down play the importance of China but to put it in proper perspective. In contrast to China, Japan's economic and even its military might increased substantially during this period, but it did not aspire to an independent international role. Japan continued to rely on the United States to protect its security interests in the Pacific and elsewhere.

The congruence of interests among these three countries (the US, China, and Japan) and the *de facto* alignment of China with the United States for most of the period and on many of the issues suggests that the structure of the security system in the Pacific during this phase was not tripolar. Even on issues in which China differed with the United States, such as Korea, Taiwan, and Indochina (1975-78), the structure could not be described as genuinely tripolar. Either the Chinese position did not make much of a difference, as in Korea, or the Soviet Union was not a player, as in Taiwan, or the US remained in the background, as in Indochina. Nevertheless, China was an important actor whose predisposition had consequences for conflict and cooperation in mainland Northeast Asia and Southeast Asia. This has led one observer to characterize the structure of the system during this phase as a two-and-a-half-power rather than a three-power balance.<sup>3</sup>

In actuality, the structure became more complex and diffused, with alliances and alignments becoming more conflict-specific. The security networks in the region (especially the non-communist one which for all intents and purposes included China) became less hierarchical and in some ways more multilateral. The traumatic

experience of the Vietnam War made for a more discriminating American military-security role in Asia as embodied in the Guam doctrine and also gave expression to the policy of burden sharing. American security concern narrowed to a more explicit focus on the Soviet threat which impinged more directly on Northeast Asia than Southeast Asia. Consequently American security commitments to its allies in Northeast Asia, excepting the brief instance of the contemplated withdrawal of ground troops from South Korea at the outset of the Carter administration, was unaffected by the Nixon doctrine.

In Southeast Asia, however, the United States became much more reluctant to become engaged in local and regional conflicts. American military bases in South Vietnam were abandoned, and those in Thailand were terminated at Thai request. While security treaties with Thailand and the Philippines remained intact, their vitality was considerably eroded. US security assistance to its allies and friends in Southeast Asia plummeted. Although the Vietnamese invasion of Cambodia, the Soviet-Vietnamese alliance that preceded it, and Soviet acquisition of military facilities in Vietnam reinvigorated American security relations with its allies and friends in Southeast Asia, the United States clearly remained in the background and relied on China as the operative deterrent. As observed by Richard Betts:

*Perhaps the major problematic contingency is .... a major war between Vietnam and Thailand, without a Soviet combat role, in which US commitment to Bangkok is brought to play but naval and air fire power is insufficient to save the day. The best hope in this instance is that the Chinese threat from the north would prevent Vietnam from transferring the bulk of its army westward.<sup>4</sup>*

Even the containment of the Soviet Union was viewed by the US as a burden to be shared with China (land deterrent) and Japan (complementing the maritime deterrent). Defeat of the United States in Vietnam and the ensuing uncertainty in American policy until 1978 resulted in the beginning of a Japanese defense build-up which gained momentum after 1980 at the urging of the United States. Accused of being a free rider, Japan in 1981 increased its defense responsibility to protect sea

lanes out to 1000 nautical miles. In response to American pressure, Japan also increased its support for the United States Forces in Japan (USFJ) and provided economic aid to strategically placed US allies in the pursuit of global stability. Thus, while the United States continued to be the leader of the non-communist security network, its unilateral leadership role and guarantor function declined, especially in Southeast Asia. While containment of the Soviet threat continued to be the primary strategic goal and gained new vigor during the first term of the Reagan presidency, economic considerations and the acrimony that accompanied US-Japan economic relations also became important. Nevertheless, for the most part, security and economic relations were kept separate with the former still the overriding concern and therefore ameliorating tensions in economic relations between the US and several of its allies in the region.

During this phase, alignments within the US-led network also became more conflict specific. While China and the United States were aligned in confronting the Soviet and Vietnamese threats, they were on opposite sides in the Korean peninsula and on the issue of Taiwan. Similarly, while Thailand and the ASEAN collective shared common cause with China on the Cambodian conflict, a number of ASEAN countries (Indonesia, Malaysia) viewed China and not Vietnam as the long term threat to national security and the security of Southeast Asia.

Sino-American rapprochement and perception of weakening American commitment stimulated multi-lateralism among the countries in the US led security network. Shocked by the lack of warning of Nixon's visit to China, Tokyo soon normalized relations with Beijing. Recognition of the proximity and size of China and the impact of Chinese policy on stability in the East Asia region resulted in Tokyo defining its relations with China as "special." Three of the ASEAN countries (Malaysia, Thailand, and the Philippines) also normalized relations with China in 1974-5. Japan also began to take a greater interest in Southeast Asia. It recognized the importance of a political role in that region which was articulated in the 1977 Fukuda doctrine. Since then, Japan has developed special relations with the ASEAN countries, considering their welfare as in its strategic interest. Communist victories in Vietnam, Laos, and Cambodia in 1975 and perception of American disengagement from Southeast Asia

provided the stimuli for greater effort in intra-ASEAN political and security cooperation. The new relations referred to above, while encouraging security cooperation in specific cases (Sino-Thai alignment against Vietnam or bilateral arrangements to deal with local problems), however, have not translated into formal long-term security arrangements to deal with external threats.

In the Soviet-led security network, the long defunct thirty year Sino-Soviet Treaty of Friendship and Cooperation lapsed in 1980. Except for this case, the Soviet network in the Pacific appears to have tightened during this phase. North Korea became more dependent on the Soviet Union for sophisticated military hardware to keep pace with South Korean armament. Vietnam became a member of COMECON in July 1978 and in November that year entered into a Treaty of Friendship and Cooperation with the USSR. Laos and Cambodia, through Vietnam and also bilaterally, were drawn into the Soviet orbit. Although small in number, the network appeared cohesive and continued to be underwritten by the Soviet Union. However, the Soviet allies, even more than many American allies, were concerned with their immediate goals and had little commitment to the global cause of the Soviet Union.

During this phase, the dynamics of the Sino-Soviet and Soviet-American conflicts superimposed upon and internationalized several of the local and regional conflicts. In no case, however, did they completely subsume or transform the local dynamics. This is clear from the fact that the removal of these two dimensions, while having localized conflicts and facilitated the peace process, have not resulted in the resolution of the Korean, Cambodian, or Soviet-Japanese conflicts.

#### **Key Developments: Implications for Pacific Security Dramatic Decline in Soviet Threat**

The imperatives of the domestic political and economic reform launched by Mikhail Gorbachev and the assumptions underscoring "new political thinking" made for dramatic change in the Soviet world view and in Soviet Asia-Pacific policy. Soviet relations with China have been normalized, and the Cold War has ended. While Soviet military capability in the Soviet Far East continues to be substantial, and Soviet-American arms control arrangements have not been a feature in the Pacific

as in Europe, quite clearly there is little danger of Soviet-American conflict in the region. The Soviet Union, like the other major powers, now appears to have a stake in the *status quo* and has become a force for peaceful change in the Pacific. The present orientation and its long term goals suggest that pursuit of Soviet interests is more likely through political, diplomatic, and economic policy rather than use of force. For all intents and purposes, it appears quite reasonable to assume that the Soviet threat has become politically inconsequential. The danger now is not the Soviet military threat but Soviet collapse.

The continuing political and economic crises in the Soviet Union, which have escalated dramatically in the last 12 months or so, have, however, rekindled apprehension in two respects. First, domestic instability could spill over and affect order and stability in neighboring countries/regions. This is a distinct possibility. The second apprehension relates to the possibility of a takeover in Moscow by a more conservative regime. While this is also quite possible, it does not follow that such a regime would revert to a Brezhnev-type foreign policy. International and domestic developments have been too far-reaching to make complete reversal possible. The assumption in this paper is that, while some changes may result from a regime change, the general contours of Soviet foreign policy of the last five years will continue in this region.

Abatement of the Soviet threat has been accompanied by deep political crisis and economic collapse in the Soviet Union. Whereas initially Moscow sought international capital and technology to facilitate its reform program, it now seeks international assistance to stave off food shortages and domestic unrest. The combination of a diminished Soviet threat and the weakness of the Soviet Union as a state and power have several consequences for Pacific security.

### 1. Disintegration of the Soviet Alliance Network

The Soviet Union does not now have the economic resources, the political inclination, or the strategic need to maintain military presence in all parts of the globe or to continue underwriting allies, especially the recalcitrant ones. Soviet military presence and activities in the Indian Ocean, the South China Sea, and Vietnam have been substantially scaled back, and Moscow has stated for the record that it will

have no forward deployment in Asia by the end 1992. It has also substantially reduced military assistance to Vietnam, Laos, Cambodia, Mongolia, and now, North Korea. Soviet support for its allies has become circumscribed and conditional, and clearly Moscow will not support adventurous behavior by Hanoi or Pyongyang. Concurrently, the Soviet Union has cut back its economic assistance, demands greater accountability, and has sought to conduct economic relations with these countries based on economic rationale. Beginning in 1991, Moscow had hoped to conduct economic transactions with these countries using market prices and expecting payments in hard currency.<sup>5</sup>

The Soviet-led security network in the Pacific, as in Europe, has been considerably weakened and may be characterized as in the process of disintegration. Also, in at least two cases (Korea and Vietnam) the security relationships have become means of restraining and exerting pressure on allies instead of supporting them against perceived external threats.

### 2. Development of Cross-Cutting Relations

One of the main objectives of Soviet Asia-Pacific policy has been to harness the economic dynamism in the region to benefit Soviet economic reform, especially with the development of the Far East. Abatement of the Soviet threat has facilitated this, although not to the degree or pace anticipated by Moscow, and has contributed to the development of more cordial relations between erstwhile adversaries. Although Soviet attempts to improve relations with Japan have been thwarted by the dispute over the Kurile islands, Moscow has had greater success in its policy towards the ROK. Gorbachev and Roh Tae Woo met in San Francisco in June 1990, and Roh visited Moscow in December 1990. Diplomatic relations have been established, there has been an undertaking to increase bilateral trade, and the ROK has pledged to provide substantial economic assistance to the USSR.

Even Japan, which had continued to insist on a satisfactory settlement of the Kurile islands dispute before discussing other issues, has softened its position. Following the visit of former foreign minister Shintaro Abe to Moscow in January 1990, Tokyo stated it would do its best to promote bilateral cooperation based on the eight point program agreed upon during that visit. More recently, a growing

body of opinion in Japan advocates that Tokyo should support Gorbachev and his reform program in pursuit of broader regional and global security, and that the Northern Territories issue should not be a stumbling block to this.

Moscow's efforts in search of a comprehensive political settlement of the Cambodian conflict has created a more positive image of the Soviet Union in non-communist Southeast Asia.<sup>6</sup> This has resulted in substantial improvements in political relations with the ASEAN countries, although this has yet to translate into meaningful economic relations. The latter, however, is due to the weakness of the Soviet economy. The restructuring of Soviet-Vietnamese relations contributed to the change in Thai perception of and policy towards Vietnam in late 1988 and has also forced Vietnam to reevaluate its international orientation. Hanoi, in light of this and other considerations, is now more open to rapprochement with the ASEAN countries.

### **3. Reduction in the Strategic Importance of China**

The dramatic decline in the Soviet threat has reduced the strategic importance of China. Sino-Soviet normalization implied that China would be less valuable to the United States in the containment of the Soviet Union. In any case, improvement in Soviet-American relations and the subsequent end of the Cold War removed the strategic need to contain the Soviet Union. Thus, China's leverage declined substantially, and the concept of strategic triangle has become irrelevant. Weakening of the Soviet alliance network also reduces the value of China's countervailing power role in regional conflicts. In Southeast Asia, for example, Soviet pressure on Vietnam has reduced the importance of China as a counterweight in ASEAN's calculations, although Chinese leverage over the Khmer Rouge continues to be important.

Similarly in Northeast Asia, the *status quo* orientation of the Soviet Union reduces the relative importance of the restraining function of China in relation to the DPRK. In part, this reduced strategic importance of China accounted for the vehemence and relative ease with which the West, including the United States, imposed economic and political sanctions on China following the brutal repression of student activists in the Spring of 1989.

Notwithstanding the reduced strategic importance

of China, the Soviet Union continues to value good relations with China. The United States, or at least the Bush administration, also continues to view a China committed to an open door policy as a key ingredient of peace and stability in East Asia. Hence, despite the public outrage and the anti-Chinese sentiment in Congress, Bush secretly sent a senior emissary to Beijing in July 1989, has renewed China's Most Favored Nation (MFN) status, and has abandoned opposition to economic assistance to China by Japan and the World Bank.<sup>7</sup> The point to note, however, is that, while still an important actor in mainland East Asia, China's structural importance to the Pacific region as a whole has declined. With limited power projection capability, China's import is now primarily existential.

### **4. Questioning the Rationale for Security Cooperation Among the Non-Communist States**

United States security policy in the Pacific, especially during the Reagan administration, was excessively cast in terms of the Soviet threat. The near total irrelevance of this threat now has set in train a search for new rationales. These include: presentation of the United States as a force for stability and preventing a power vacuum in the region which could issue from an American withdrawal; containment or restraining of Japan; continued stress on the standing Soviet arsenal and implied threat to Asia-Pacific security; the importance of the United States as out-of-region balancer; deterrence of aggression by regional powers, other Third World contingencies, etc. These rationales, while aimed to assure allies and friends that the US will continue to be a Pacific power and targeted at the American body politic to prevent a return to isolation, are also designed to justify existing force levels and forward deployment or only minor cuts in them.

Although nearly all these rationales have some validity, the critical point is that American force posture, strategy, and doctrine in the Pacific over the last decade or so have been overwhelmingly premised on countering the Soviet threat. Consequently, while there is little doubt that the US will continue to be a Pacific power, its future security role and military presence would have to rest on a new, more acceptable rationale, which in turn could make for changes in US security relations with allies and friends. Budgetary constraints in the



United States, greater assertion of American national interests in international economic relations, and growing nationalism (linked to anti-Americanism) in the countries in which the US is forward deployed are also likely to drive this process.

Build-up of the Japanese Self-Defense Force (JSDF) and broadening of US-Japan security cooperation in the 1980s were also justified on the basis of the Soviet threat. Despite the end of the Cold War and the dramatic change in Soviet policy, Tokyo continued to stress the Soviet threat citing qualitative improvements in the Soviet military arsenal in the Far East. This, however, became less credible, and the Japanese Defense White Paper for 1991 makes no mention of the Soviet threat. Although recent calls in Japan, including some from members of the ruling Liberal Democratic Party, for a cut in the size of the JSDF are unlikely to be heeded, defense expenditure for the next five years is projected to grow only at three percent compared to the five to six percent growth over the last decade.<sup>8</sup> Continued Japanese defense build-up in the absence of a clear security threat will also exacerbate apprehensions in neighboring countries like China, the Koreans, and the Southeast Asian countries. Continuation, and especially the upgrading of security cooperation between Japan and the United States, could also become controversial in the domestic politics of the two countries for different reasons.

While the American security commitment to the ROK is unlikely to be affected, the latter is being urged to take on a greater share of the burden and the lead role in its defense. Growing Korean nationalism and friction in economic relations are contributing to the growth of a negative perception of the United States in South Korea, previously confined to the radical fringes of Korean society. While this negative perception may make for tension in bilateral relations, precipitant changes in US-ROK security relations are unlikely as long as the Korean conflict remains unresolved. In Southeast Asia, decline in Soviet and Vietnamese threats undermines the rationale for and reduces the urgency that underscored security cooperation between ASEAN countries and the United States in the 1980s. While a number of ASEAN countries would prefer continued American military presence in the region, the rationale and support will have to

be different.

The United States will also have to address proposals from its allies on arms control, confidence and security-building measures, nuclear-free zones, zone of peace, regional security arrangements and fora, and the like, which it previously deflected with relative ease citing the overriding interest in containing the Soviet threat. The above is not to suggest that the non-communist network is about to disintegrate. Far from it. Compared to the Soviet-led network, it is considerably stronger. The point, however, is that new and more mutually acceptable rationales would have to underscore security relations, and in the process, changes in existing security relations may have to be anticipated. Economic consideration may play a more important role in the restructuring of security relations. The trend is away from unilateral guarantees and towards more equal partnership.

##### **5. This Will Make for Greater Stability in the Pacific**

Except on the margins, all the major powers in the Pacific have become *status quo* oriented. China and the Soviet Union require a favorable international environment to facilitate their quest for economic modernization. This orientation contributes to systemic stability and a more neutral if not cooperative environment. Change in Soviet policy also has had a positive impact on international efforts to resolve regional conflicts by decoupling and localizing them. Many of these conflicts, however, have their origins in the state formation process or are embedded in historical/geopolitical contexts, which are not easily or quickly resolved. Improvement in major power relations, however, limits their potential for escalation and minimizes systemic consequences. Furthermore, while improved relations among the major powers cannot in and of themselves resolve these conflicts, they have facilitated the peace process or stabilized the situation. In Cambodia, the Soviet Union and China have exerted pressure on their allies to move quite some distance in accepting the framework agreed to by the permanent members of the UN Security Council. In the Korean peninsula, while all external powers have long had a common interest in preventing the outbreak of war, they now they have leverage at their disposal to urge the two Koreas towards dialogue.

### **Continuing Intra-Regional Conflicts**

The Pacific is witness to a large number of regional and bilateral conflicts/disputes: the Korean conflict, the Soviet-Japanese territorial dispute, the China-Taiwan dispute, Sino-Vietnamese conflict, the Cambodian conflict, border disputes among the Indochina countries including Thailand, the Sabah dispute between Malaysia and the Philippines, and disputes issuing from conflicting claims in the East and South China Seas. Can these regional disputes/conflicts be resolved? What will be the impact of their non-resolution on the political-security environment in the Pacific? These questions are addressed in the ensuing sections.

#### **The Cambodian Conflict**

Of the many conflicts in the region, only Cambodia is experiencing open hostilities. The three factions in the Coalition Government of Democratic Kampuchea (CGDK) continue to wage a guerilla war against the Vietnamese backed Phnom Penh government with all four factions continuing to receive external assistance. This conflict, however, has de-escalated considerably. It has been effectively decoupled from the Sino-Soviet, Soviet-American and Thai-Vietnamese dimensions. The Sino-Vietnamese dimension, while still relevant, is not as critical as it was a year ago. The five permanent members of the UN Security Council, after several meetings, agreed 28 August 1990 on a framework for an international settlement of the conflict. This framework has since been endorsed unanimously by the full Security Council and the UN General Assembly. The absence of reconciliation among the four Khmer factions, however, accounts for the rather limited and slow progress made in reaching an international settlement. Deep differences and mistrust among the Khmer factions underscore their unwillingness to share power. Under these conditions it is quite possible that the armed struggle in Cambodia could continue even in the post-settlement period. While the continuation of the Cambodian conflict does carry the risk of escalation, the key point to note is that nearly all the external actors concerned have reason to contain the conflict to the local level. Thus, in the foreseeable future, it appears rather unlikely that the Cambodian conflict can escalate to such proportions as to have systemic consequences.

The Sino-Vietnamese conflict, which is closely linked to the Cambodian conflict, also resulted in open hostilities both on land and at sea. Their common land border and the situation in the Spratlys where both have conflicting claims have continued to be tense. Several developments, however, have contributed to a slow thaw in Sino-Vietnamese relations. The risk of Sino-Vietnamese military clash has also declined.

#### **The Korean Conflict**

Of the remaining disputes/conflicts, only the Korean Conflict and, to a much lesser degree, the territorial disputes in the Spratlys appear to have the potential to degenerate into open hostilities. The Korean Conflict is possibly the only one in Asia that has the potential to escalate into a war involving the major powers. Although there has not been a war since 1953, peace on the peninsula has been precarious, characterized by incidents and clashes. The situation, however, has become more stable. None of the major powers want a war, and they can be expected to exert maximum restraint on the behavior of their allies. Concurrently, relations across the divide tantamount to cross-recognition have or are in the process of materializing. South Korea and the Soviet Union have established diplomatic relations, while trade relations between the ROK and the PRC is burgeoning. The low level US-DPRK dialogue has been resumed and North Korea-Japan dialogue is also proceeding apace. There has also been significant movement in North-South talks. Despite this progress, the general perception appears to be that nothing substantial can occur until after Kim Il Sung.

While the conflict may remain unresolved for some time, it is now in a controlled state. There are, however, two concerns. One is the nuclear weapons program of North Korea. The fear is that a weakening DPRK may see the acquisition of nuclear weapons as the ultimate solution to its problem in the context of weakening support from its allies and growing international isolation. Second, there is a potential for power struggle and instability in North Korea following the passing of Kim Il Sung. While a collapse in the North could lead to eventual unification with the South on the terms of the latter, there could be an interim period of turmoil with destabilizing consequences for the peninsula and the region.

### **Conflicting Claims in the Spratlys**

In assessing the potential for conflict and conflict escalation issuing from the disputed claims in the Spratlys, it is necessary to explore the following questions. Will states go to war over these conflicting claims? If they do, will the hostilities broaden to encompass home territories and/or escalate to involve external actors? Answers to these questions rest in part on the significance of these territories for the claimants and other external actors. In strategic terms, the islands could facilitate limited basing, surveillance, and control of shipping along one of the important maritime corridors of the world. These disputed islands, with the possible exception of the Paracels, however, do not sit astride key "choke points". Also, any attempt to interdict or block passage would require maritime resources well beyond the capacity of any of the claimants, including China. With the exception of China, there is also no strategic rationale or need for any of the other actors to undertake such actions. In the long term, with the development of a blue water navy, these islands may become of greater strategic significance for China. In economic terms, presently the value lies primarily in the fertile fishing grounds in the area. If the presumed large deposits of oil and gas are found, then the economic significance becomes much greater. Because of this potential and the national honor that attaches to such claims, none of the claimants have been willing to make compromises.

While all claimants have military garrisons in the islands under their control, only China and Vietnam have thus far engaged in premeditated military clashes with each other. The three ASEAN claimants have expressed their desire and intent to settle conflicting claims through negotiations. China and Vietnam have, in bilateral talks with ASEAN countries, indicated their intent to do likewise. The political cost for China and Vietnam to undertake military action against the territories occupied by ASEAN countries will be high and counterproductive to their broader interests and goals. There is little danger that in the short to medium term China or Vietnam will seek to take military action against them. Thus the potential for conflict appears to be confined to the Sino-Vietnamese dyad. However, as relations between these two countries move gradually towards normalization, the risk of conflict would decline.

The potential for conflict escalation through the involvement of the Soviet Union and the United States is also low. The Soviet Union, eager to improve relations with the PRC, showed restraint in the March 1988 clash. Since then, Soviet support for Vietnam has become even more conditional. Similarly, the United States has refrained from involvement in the conflict. It has indicated to the Philippines that the Mutual Defense Treaty excludes the Philippine claims in the South China Sea. Only in the event that international passage through the South China Sea is impeded or in the event of Chinese aggression against the ASEAN countries, both of which are rather unlikely, is the United States likely to contemplate involvement. Even then whether it will be prepared to take military action against China remains uncertain.

The foregoing discussion coupled with the limited military resources of the claimants and the distance of these disputed islands from the home territories suggest that any future outbreak of hostilities relating primarily to the conflicting claims is likely to remain localized. In other words, the issue of conflicting claims in the South China Sea, while continuing to be an international security concern, in and of itself, is unlikely to make for instability in the region to any significant degree.

### **Other Disputes**

While the resolution of the remaining disputes (Soviet-Japanese, Sabah, and China-Taiwan) may prove to be difficult, they are unlikely to degenerate into open hostilities. Their non-resolution, while formally freezing bilateral relations and thus impeding progress towards a more congenial environment and regional cooperation, is unlikely to make for deterioration of the political-security environment in the Pacific. Intractability appears to be the key characteristic of nearly all the inter-state conflicts in the Pacific. However, most of them have become controlled and are in a stabilized situation.

### **Economics and Pacific Security**

While several developments and trends in the "Pacific economy" have the potential to affect the security environment in the region, three appear to be particularly relevant.<sup>9</sup> These are: changes in the relative economic weight of states, growing

interdependence within the Pacific, and the persistence of huge macroeconomic imbalances between the United States and several of its western Pacific allies. The first has the potential to alter the structure of political and security relations, while the second and third developments have the potential to affect the basis for conflict and cooperation in the Pacific.

### **1. Changes in Relative Economic Weight and the Structure of the Political-Security System**

Measuring the relative economic weight of states is a complex task, which, *inter alia*, requires an evaluation of the following factors: size of economy and growth rates, factor endowments (capital, technology, skilled labor), international competitiveness in production, dependence on and relevance for the international economic order, and the roles of private and public sectors in national economies. Although an evaluation of these factors is beyond the scope of this paper, a number of observations relating to changes in the relative weight of states in the region are fairly obvious.

#### **A. The Ascendancy of Japan as the Hub of Economic Activity and the Relative Decline in the Position of the United States**

While the United States has the world's largest economy, Japan has, in several respects, replaced the United States as the main focal point of economic activity in the Pacific. It has become the largest creditor nation, the source of most useful technology and the more appropriate model for economic development.<sup>10</sup> Japan's role as the largest creditor nation and the relocation of Japanese industries to Northeast and Southeast Asia are increasing the linkages between the western Pacific economies and Japan. The long term trends in American and Japanese economies and the growth rate forecasts suggest that the importance of the Japanese economy for the Pacific will increase rather than decrease. One estimate is that the Japanese economy may exceed three-quarters of that of the American economy by the year 2000.<sup>11</sup>

In the field of trade, however, the situation is not so clear cut. Japan is the leader in exports accounting for 25 percent of all intra-regional exports in 1988 compared to 23 percent for the United States.<sup>12</sup> In terms of imports, the position is reversed with the US absorbing 36 percent of all intra-regional

imports compared to only 16 percent for Japan. When looked at from the perspective of manufactured goods, the US share of intra-regional imports is even more substantial. While the Japanese share of intra-regional manufactured imports can be expected to increase in light of the growth of Japanese domestic demand, slow growth in the United States, and the relocation overseas of Japanese industries, the Japanese market is unlikely to replace that of the United States in the foreseeable future. In fact, Japan itself continues to rely heavily on the American market. Massive Japanese investment in industrial production in the United States is designed to protect its share of the market in that country.

It should be noted here that while the rise of Japan and the relative decline of the United States in the Pacific are beyond doubt, the United States will continue to be a key actor with substantial economic interests in the Pacific. Its Pacific trade continues to surpass that of its Atlantic trade. It should also be noted that the rise of Japan has not necessarily been at the expense of the United States. For example while the US share of intra-regional exports declined from 32 percent in 1970 to 23 percent in 1988, Japan's share only increased from 22 to 25 percent. The bulk of the decline in the American share would appear to have been absorbed by the group of newly industrializing countries (NICs), the share of which increased from 8 to 23 percent. The point is that in a region of dynamic growth, economic relations are not necessarily zero-sum in nature.

#### **B. The Increasing Economic Weight of the NICs**

The GDP of South Korea, Taiwan, Hong Kong, and Singapore in 1988 were \$150 billion, \$112 billion, \$53 billion, and \$23 billion respectively. While, with the exception of Singapore, their growth rates have somewhat slowed in the last couple of years, they still are pretty remarkable. In 1989, the growth rates were 9.2 percent in Singapore, 7.7 percent in Taiwan, 5.9 percent in Korea, and 2.5 percent in Hong Kong. The forecast is, barring dramatic changes, similar or better growth rates are likely to be maintained in the short to medium term. Taiwan and South Korea for the first time have become net creditors. These two countries along with Hong Kong and Singapore have become significant investors in China and the ASEAN

countries. They are also likely to venture into the Indochina region and the Soviet Far East. The NICs, especially Taiwan and South Korea, are even more appropriate than Japan as models for economic development for the other countries in the region. Taiwan and South Korea, in light of their population base, are already sizeable markets and this can only grow. In 1988, the NICs collectively accounted for 23 percent of the total intra-regional imports which is higher than the 21 percent share of Japan.

### **C. The Relative "Smallness" of China and the Soviet Union**

In 1988, China's GDP totalled only \$300 billion, which was less than that of Canada (\$417 billion). China's share of intra-Pacific trade in 1988 was much less than that of the ASEAN collective. It is also not a source of useful technology or a model for economic development. In some respects, China is attempting to follow the development models of the NICs and the ASEAN countries with the setting up of the special economic zones (SEZs). China is also heavily dependent on international capital and technology to fuel its economic growth. Should China overcome its present political and economic problems and resume economic growth at its 1980s pace, then it may become a significant economic actor in the region. This, however, is a mid to long term prospect.

Soviet economic might in the Pacific is inconsequential. It is even less relevant than China as a source of technology or as a model for development. The abundance of raw materials in the Soviet Far East and in due course the development of the Soviet market may enhance the economic position of the USSR in the Pacific, but this is a long-term prospect at best, and numerous major obstacles would have to be overcome.

Thus, for the foreseeable future, Japan and the United States will continue to be the two leading economic powers in the Pacific with Japan's importance on the rise. South Korea and Taiwan together with Canada, China, and Australia are the middle-powers but far behind Japan and the United States. The Soviet Union is almost a non-player.

### **Consequences of Change in the Relative Economic Weights of Japan and United States**

It would appear from an economic (and also technological) standpoint that only Japan and the

United States have the necessary resources to develop and maintain sufficiently large modern military establishments with the potential to alter the structure of the political-security system in the Pacific in any substantive manner. For example, Japan now spends slightly under one percent of its GDP on defense. If this were increased even to two percent, the resulting force level might surpass the American conventional force deployment in the Pacific. However, economic might alone, while a necessary condition, is not sufficient to explain the political-security orientation or structural significance of states. For example, although the United States became the largest creditor nation by the turn of the twentieth century, it followed an isolationist policy. Only when it perceived a threat from Germany and Japan to its own physical security and material well-being, and to societies which shared similar values and institutions, did the United States intervene in World War II. Furthermore, if economics is the only measure, then a corresponding decline in US forward deployment and a commensurate build-up of Japanese defense capability should already have taken place by now. While relative economic weight is important, other considerations would appear to be equally if not more important. The US, despite the relative decline in its economic position and budgetary constraints, appears unwilling to substantially modify its global security role. Japan, on the other hand, because of domestic and international political inhibitions, is unable and unwilling to assume a commensurate political-security role. Thus, economic weight would appear to facilitate rather than dictate any specific political-security orientation, except perhaps under conditions of mercantilism.

The key questions to be addressed in exploring the significance of the change in relative economic weights of the United States and Japan for political-security relations in the Pacific are as follows. Would the United States continue its commitment to the global and Pacific leadership role? Or, would it play a more modest role? What would be the rationale in either case? Would Japan assume a more independent international role? Again, what would be the rationale for such a role? How would the two countries relate to one another and to other states in the region?

Following the end of the Cold War, the debate over the future American security role gained credibility

and urgency in the United States, with economics becoming a more salient factor. At the risk of over simplification, and according greater coherence than warranted, the debate may be characterized as between those who advocated a more modest international role and those who advocated a continuation of the post-World War II global leadership role.<sup>13</sup> The critical questions in the debate were:

*Why should this country (the US) persist in efforts that respond to the circumstances now of the past? Why should it continue to maintain substantial forces in Europe and the western Pacific? Whose interests are served by doing so?*<sup>14</sup>

Those arguing for a more modest role rested their case on the changed strategic and economic circumstances, pointing to the lack of necessity and the growing asymmetry between American resources and commitments. The case for continuity, on the other hand, rested on the presumed need for the United States, now not only the world's only remaining superpower but also the most trusted one, to preserve a fragile peace. The latter case appears to have gained ground, at least temporarily, following the successful prosecution of the war in the Persian Gulf. The "order maintaining" role, however, is drastically different from the post-World War II role to defend the so-called "Free World" from Soviet communism. Will there be a deep sense of commitment from the American body politic to this world policeman role on behalf of the international community? What is or would be the role of economics in shaping this commitment?

There can be no definitive or blanket answers to these questions. Despite the claims of the Bush administration, ramifications of the Persian Gulf War for America's security role, especially in the Asia-Pacific region, are not clear cut. Successful conclusion of the Gulf War has returned a measure of self-confidence to the American people and may be viewed as contributing to checking isolationist tendencies in the United States. The American body politic may be positively disposed, at least in the short term, to support future military interventions in regions of vital interest to the United States. It is, however, difficult to read this disposition as reflective of an emerging consensus in the American body politic for a world policeman role. It also does

not override other concerns, such as those rooted in the changing economic and strategic circumstances, which in the first place called into question the global American security role.

Once the euphoria of success begins to recede, the earlier more fundamental and therefore more enduring concerns are likely to resurface, especially in relation to the Pacific. Notwithstanding the claims of the Bush administration, it is far from certain that the inhibitions issuing from the Vietnam War no longer apply to American intervention in Asia. The existing and possible conflict situations in Asia are not as clear cut as the Kuwait situation and will also demand much greater sacrifice and staying power. The mixed and rather unenthusiastic support of the Pacific allies and friends for the American war effort in the Persian Gulf may also emerge as a new factor in shaping American public and congressional attitudes towards the American security role in the Pacific.

The ongoing recession in the United States which began in August 1990 may also be relevant in the short term in the disposition of the American public towards the American security role in the Pacific. If this turns out to be a deep recession with a large number of people out of work who identify job loss with foreign competition, then it will become more difficult to justify forward deployment to protect the very countries that are presumed to have a negative impact on the livelihood of the American people. If, however, as many now predict, the recession is short and shallow, then it is unlikely to exacerbate underlying animosities. These animosities, however, are unlikely to disappear even if there is an economic upturn.

Economics is likely to be of greater significance in shaping the American commitment in the longer term in a more evolutionary manner, unless there is a severe depression and collapse of the international economic system as in the 1930s, or there is an economic collapse in the United States as is currently the case in the Soviet Union. While it is quite likely that the present American commitments in Europe, the western Pacific and now the Middle East may be beyond its means, and that these commitments may have to be reduced to bring them in line with national resources, it does not follow that the US will have to abandon its global commitments.

A global "order maintaining" role may not require

large forward deployment. Reduction of expenditure on strategic weapon systems that should now be possible with the end of the Cold War may also facilitate maintenance of conventional forces which are more important in the order maintaining role. Economic considerations are thus likely to have an impact on the size of forward deployment and increase the relevance of burden sharing, with more prosperous allies and friends having to carry a greater share of the burden and to become more responsible for their security. They are, however, unlikely to make for precipitant changes in political-security relations. Such changes are more likely to issue from political-strategic considerations. For the present, the advocates of continuity, buoyed by the success in the Persian Gulf, prevail.<sup>15</sup> Only a minor and gradual reduction in forward deployment in the Pacific has been planned for with greater emphasis placed on burden sharing.

In Japan there has been off-and-on discussions of its international role for the better part of the last decade. This discussion in essence has been reactive rather than a sustained debate over well thought out positions. The most recent episode in this continuing "debate" has been sparked by the Persian Gulf conflict. At the risk of according greater coherence, three viewpoints may be distinguished in the ongoing "debate." One is that of the right-wing nationalists who advocate a more independent international identity and role, calling for the abrogation of the US-Japan security treaty. Presumably, this position would require a substantial build-up of the JSDF. This group is neither coherent nor particularly influential, and this viewpoint is essentially a reaction to American pressure on economic matters and issues like the Persian Gulf. The second perspective is that of the Japan Socialist Party (JSP) which advocates an unarmed neutral Japan. The decline of the Soviet threat is viewed as favoring this option. However, in the interest of forming a coalition with other middle of the road political parties, the JSP has moderated its position stating that it would not call for immediate changes in the status of the JSDF or the US-Japan security treaty. While these two perspectives, especially that of the right-wing nationalists, may gain ground in certain circumstances, for the present and the foreseeable future, they appear unlikely to gain sufficient

support to become policy.

The third and by far dominant view in Japan is for a greater international role, but within the context of a broad interpretation of self-defense and the US-Japan security treaty.<sup>16</sup> This perspective also envisages a greater international role through the United Nations and the use of economic resources to promote global and Pacific peace and stability. This view has strong support from important sections of the LDP and the bureaucracy. The Japanese public, however, is opposed to any international role that would require deployment of JSDF personnel overseas or expose any Japanese citizen to combat. This was clearly evident in the "defeat" of the UN Peace Cooperation Bill in the Diet.<sup>17</sup> In addition to public apathy, Japanese political leadership is even more weak than it usually is. While an "internationalist" leader of the main stream but with right-wing inclinations and with relatively strong domestic support like Yasuhiro Nakasone could steer Japan towards a greater international role, such leadership appears not to be in prospect.

In the wake of the debacle of Japanese policy in relation to the Persian Gulf, it appears rather unlikely that Japan would be capable of departing significantly from its present orientation on its own initiative. Furthermore, its present international orientation, especially the US-Japan security treaty, is quite beneficial to Japan for a number of reasons. It provides a framework for cooperative relations with the United States, assuages the concerns of neighboring countries, and keeps defense expenditure low. Thus, Japan has a vested interest in preserving the current state of US-Japan relations.<sup>18</sup>

While it is possible to cite Japan's "special" relations with China, ASEAN, and South Korea and its recent overtures to North Korea and the Indochina countries as reflective of its strategic concerns in the Pacific region, and its attempt to use economic diplomacy to serve these interests as suggestive of independent action, they do not in themselves amount to an independent orientation or role. Invariably, Japan has acted to complement American policy or has not followed through with its initiatives in the face of American opposition or regional sensitivities. Such actions may also be viewed as a continuation of Japan's earlier omni-directional policy which emphasized

economics. The central point is that relations with the United States still takes priority over all other relationships. This in turn is a function of the fact that despite economic and other frictions, the interests and values of the United States and Japan are not that dissimilar. If irreconcilable interests do develop, then compromises would become difficult forcing Japan to follow an independent course in international relations.

In the security arena with the dramatic decline in the Soviet threat, the rationale for the USFJ and more generally that for security burden sharing could become controversial. In the American public perspective, USFJ is primarily for the defense of Japan and hence the persistent demand for greater Japanese contribution towards the yen cost of maintaining this force. From the Japanese perspective, however, the function of this force is primarily to serve the broader strategic interests of the United States and hence provision of base facilities on Japanese soil is seen as a contribution to American interests. Having to pay for them, according to this logic, would appear to make little sense. This difference in perspective could become policy relevant in the post-Cold War period. A new rationale based on the order maintaining responsibilities of the United States and Japan would have to provide the basis for security burden sharing. This may make for a reduction in the USFJ with Japan assuming greater responsibility for its own defense. This, however, will happen within the framework of the Japan-US security treaty. Friction in economic relations, explored later, may hold greater potential for the development of irreconcilable interests but even here muddling through in favor of preserving the *status quo* appears more likely, although this cannot be asserted with any degree of certainty. For Japan to contemplate alternative futures, repoliticization of Japanese society and a transformation of Japanese political culture appear necessary. While external pressures may contribute to this, only fundamental changes in Japanese politics and society can fuel such a transformation.

For the foreseeable future, Japan appears likely to continue to cooperate with the United States with its economic strength underwriting American-led initiatives and policies. This does not exclude security and economic related tensions but only that such tensions are unlikely to make for drastic

changes in current security arrangements. Hence, although Japan has the necessary economic and technological base to become an independent pole in the Pacific (and also at the global level), it does not have the strategic need, or political will and capacity to do so.

#### **Consequences of the Increasing Economic Weight of Taiwan and South Korea**

While the economic weights of Taiwan and South Korea are relatively small, they nevertheless affect the structure of the Pacific security system in a number of ways. First, at the sub-system level, their positions have been considerably strengthened: South Korea *vis-à-vis* North Korea and Taiwan *vis-à-vis* China. Second, South Korea, not suffering the domestic and international inhibitions that afflict Japan, can now assume a greater responsibility for its own defense, thus moving towards partnership in its security relations with the United States without undermining stability. Third, South Korea and Taiwan have applied their economic and technological weight to enhance their political standing. For example, South Korea's diplomatic and economic relations with the Soviet Union and mainland China have undercut the hitherto unquestioned support of these two countries for North Korea. While there is a possibility that South Korean efforts may further isolate North Korea and destabilize the situation, thus far this has not happened. Pyongyang has, in fact, made efforts to improve relations with its two erstwhile adversaries, the United States and Japan. Inter-Korean dialogue also appears to have been given a boost. In general, Seoul's efforts, born of growing economic and political confidence, may, by strengthening the position of South Korea *vis-à-vis* North Korea, be viewed as having contributed to greater stability on the peninsula.

Similarly, Taiwan's position *vis-à-vis* China has been strengthened. Through opening to and investment in China, Taiwan is trying to improve relations with the mainland on its own terms. Taipei is also using its economic strength with the Philippines, Indonesia, the other ASEAN countries, and several South Pacific island states to regain a measure of the international standing it lost with the mainland's condition of a "one China" policy for the establishment of diplomatic relations.

Generally, increase in the number of middle



powers should make the structure of the political-security system in the Pacific less hierarchical, increase the salience of local dynamics, minimize the opportunities for outbreak of hostilities and conflict escalation, and contribute towards a more stable system.

#### **Economics and Conflict in the Pacific**

Friction and tension in economic relations between the United States and several of its allies in the Pacific became quite frequent and intense in the 1980s. Of particular concern is the potential for conflict in US-Japan economic relations. The problems in this relationship, while rooted largely in domestic factors such as differences in macroeconomic policies, savings rate, investment, consumption, and productivity, have been frequently expressed in terms of the persistence of huge imbalances in the economic transactions between these two countries which in turn are frequently attributed to the illiberal nature of the Japanese economy.<sup>19</sup> While the "Japan problem", which looms quite large in the United States, is both real and a straw man, public perception of Japan in the United States has become quite negative and at times quite hostile. This is despite the fact that Japan has almost always responded, albeit rather slowly and under pressure, to American demands. The yen has been revalued, domestic demand is beginning to play a larger role in the Japanese economy, the Japanese market is now more open, US exports to Japan have increased substantially since 1987, manufactured goods now account for more than half of the total Japanese imports, Japan has continued to finance a large part of America's deficits, and has also contributed substantially to funding needs elsewhere in the world. Most recently it pledged \$13 billion in support of the American-led allied war effort in the Persian Gulf. This is not an insignificant amount and compares favorably with the German contribution.

Yet, American frustration with Japan in the economic realm remains high and may assume a new dimension in view of the reluctance of Japan to carry risks on behalf of the international community.<sup>20</sup> While Japan's global current account surplus has fallen from \$87 billion in 1987 to \$57 billion in 1989, bilateral surpluses with the United States remain high. In summer 1990, there was concern that these may rise further, but recent

figures suggest they may be declining. In addition to the concern over the impenetrability of the Japanese market, there is now concern with Japan's "concentrated pursuit of superiority in a wide range of goods in which the United States retains a substantial comparative advantage."<sup>21</sup> The view that Japan is different and has to be treated differently, previously confined to the so-called "revisionist school," may be gaining ground. In Japan, too, there has been growing resentment with unrelenting pressure and growing unilateralism in American policy. While there is support for the view that Japan has to do more, there is also a perception that Japan is being blamed for the inability of the Americans to correct their domestic problems.

Although the Strategic Impediments Initiative (SII) is a step in the right direction, the issues to be addressed are so fundamental that rapid progress appears rather unlikely. Economic disputes will persist well into the 1990s. The question is can these disputes be resolved/contained as in the past or would they, with the unravelling of the "security blanket" and the decline of international regimes for trade, money and finance, degenerate into mercantilism? What would be the consequence of such a development for the political-security system? Will it call into question the alliance relationship? What would be the role of force in ensuring economic security? While these questions may appear extreme, they have to be raised simply because the structures that have underscored political and economic order and stability in the post-World War II period are no longer adequate, and narrow nationalism could rear its ugly head during periods of transition, which are inherently fragile.

Once again, there can be no definite answers to these questions. The optimist could argue that the two economies are so highly interdependent, that resort to real as opposed to "on the book" unilateralism and beggar-thy-neighbor policies would lead to mutual loss, i.e. the two are locked into a Mutual-Assured-Destruction (MAD) situation. Therefore, both have an interest in policy coordination to resolve the problems at hand. The pessimist could argue that MAD, whereby Japan continues to finance US trade and budget deficits in return for access to the American market, is unhealthy in that it delays the necessary adjustments in both countries. In the case of the United States, it

delays a shift to a lower level of consumption in line with productivity and the "vicious cycle of budget deficits, negative capital flows and trade imbalances" could deindustrialize the country. In the case of Japan, it perpetuates dependence on the American market and on export-led growth. MAD also does little or nothing to solve the "Japan problem" and, therefore, is conflict prone and inherently unstable. A non-economic pessimistic view considers the economic disputes as not merely rooted in economics but as reflective of a clash of cultural values and, therefore, a conflict between Confucian social order, American Lockean order, and/or different forms of capitalism. This logic would argue that there is potential for a political confrontation between these two value systems.

If the pessimistic view turns out to be right, then a collapse of MAD, which could come about in a number of ways including resorting to "closed" or "protection-oriented" economic regionalism, could lead to a different world in which the existing political-security arrangements will make little or no sense. Japan can be expected to place greater emphasis on military self-reliance. If the optimist view is right, then the present relations can be expected to continue largely intact but allowing for a weakening in the face of the likely strains in relations resulting from economic tensions.

On balance, however, recent experience suggests that while economic relations may become highly competitive and tension-laden, economic disputes are unlikely to become irreconcilable and degenerate into political-security conflict. Although the preceding discussion is focussed on US-Japan relations, it is applicable also to relations between the US and most of the other western Pacific states. A point to observe is the recent development of frictions in economic relations between Japan and the NICs. If this does become more serious, then economic disputes which thus far had a US focus could become more multilateral, putting a different gloss to the problem. The potential for economic conflict highlights the need for bilateral and multilateral institutional frameworks to coordinate economic policy and to resolve trade and other economic disputes.

#### **Economics and Cooperation**

Concurrent with the potential for conflict, there are also a number of economic trends and developments

in the Pacific which stimulate and/or augur well for cooperative efforts. Impressive economic growth and increasing intra-regional investment flows have contributed to growing interdependence among the Pacific economies. In 1988, intra-Pacific trade accounted for 66 percent of the total trade of the countries in the region.<sup>22</sup> This compares with approximately 57 percent in 1970. For the developing countries, intra-Pacific trade is even higher, accounting for 73 percent in 1988. Indications are that intra-Pacific interdependence is likely to grow. The socialist economies, which until quite recently confined their interactions largely among themselves, are now embarked on economic reform in varying degrees which require interaction with and assistance from the market economies in and outside the region. China started on this path more than a decade ago. Now all the socialist countries except North Korea are following suit. While many difficulties remain to be overcome and there will be set backs, the open door policies appear unlikely to be reversed.

In addition to making for growing interdependence, economic dynamism in the region has also created several engines of growth (the US, Japan, the NICs) and new patterns of regional and international specialization which require structural changes at the national and international levels. While such changes have been taking place, the pace has not been fast enough and there is the constant danger of resistance to such changes. Greater protectionism will restrict further growth and productivity. All these developments, growing interdependence, opening up of the socialist economies, the emergence of new centers of growth, and resistance to structural change, and the need to foster economic growth in the poorer countries of the region highlight the need for economic coordination and cooperation.

This need has been recognized in the region. Pacific economic cooperation was a key theme in the 1980s. Several governmental and non-governmental organizations/fora have come into existence. The former includes ASEAN, the South Pacific Economic Bureau, Closer Economic Relations (CER) between Australia and New Zealand, and the Association for Pacific Economic Cooperation (APEC). Non-governmental organizations include the Pacific Economic Cooperation Conference (PECC), Pacific Basin

Economic Cooperation (PBEC), and Pacific Area Free Trade and Development (PAFTAD). The developmental orientation that now characterizes nearly all countries in the Pacific has legitimized and promoted economic cooperation and coordination in the region. Economic cooperation must be distinguished from economic integration or union which clearly has not been and is unlikely to be the goal in the Pacific. Skeptics of the Pacific frequently confuse the two. Economic cooperation in the Pacific has not been inward looking and is not designed to form a trade bloc. In light of the significant economic relations of the countries in the region with the rest of the world, particularly Europe, the thrust of Pacific economic cooperation has been to liberalize and promote trade among the countries in the region in the context of global multilateralism.<sup>23</sup>

Economic cooperation has had several positive consequences for political-security relations in the Pacific. First, and perhaps of foremost importance, is its integrative role. The growing interdependence of the market economies has, by linking the political and economic fortunes of the Pacific countries, created a common interest in mutually beneficial relations and a more stable environment. With the growing irrelevance of the Soviet threat, economics could become an integrative force holding the non-communist countries of the region together and also drawing new countries into the framework. Economic relations were a significant factor in the rapprochement between China and the non-communist countries in the region. With the growing dependence of the Chinese economy on the international market economy and the disappearance of the Soviet threat, economics can be expected to assume increased saliency in the foreign relations of China. Similarly, economics may also become the driving force in integrating the Soviet Union into the region. This is already happening in Soviet-South Korean, Soviet-Taiwanese, and, to a lesser degree, Soviet-ASEAN relations. If the Soviet-Japanese dispute is resolved, then Japanese economic power will become a major force in this effort. In addition to political considerations, the North Korean-Japanese dialogue is also underscored by economics. Similarly Vietnam's quest for economic renovation and economic dynamism in the ASEAN countries has made rapprochement more attractive

and feasible. Convergence of economic interest can promote regional cooperation in Southeast Asia.

Second, by fostering economic growth, economic cooperation has contributed to the development of "national resilience" of some countries, which in turn has had a positive impact on their international relations. For example, a more dynamic and confident Singapore is leading the creation of a growth triangle encompassing the Malaysian state of Johore and the Riau islands of Indonesia, which can foster greater stability in the sub-region.<sup>24</sup> Similarly, Thailand, confident of its economic and political situation, made a substantial shift in its Cambodia policy and seeks to become the "hub" of economic activity in mainland Southeast Asia. This has ameliorated international tension in mainland Southeast Asia.

Third, economic cooperation to jointly develop resources could also be a way of circumventing the potential for military conflicts in disputed areas. Malaysia and Thailand have signed an agreement to exploit living and non-living resources in the areas where their EEZ claims overlap. Malaysia and the Philippines have begun talks concerning their overlapping claims in the area between Sabah and the southern Philippines. These talks may also include their disputed claims in the Spratlys. China has recently indicated its willingness to discuss with all other affected parties the possibility of joint exploration and development of resources in the Spratly islands without prejudice to sovereignty claims.

In general, economics is becoming an important vehicle for cooperation at the Pacific and sub-regional levels. It is important to bring all countries in the region into this cooperative framework. In due course, it is quite possible that political and security cooperation may evolve from economic cooperation. For the present and immediate future, however, economic cooperation has the potential to foster greater interaction among the political leaders, bureaucrats, businessmen, and others. This socialization process can play an invaluable role in building confidence and minimizing the role of force as demonstrated by the ASEAN experience over the last two decades.

While economic cooperation generally carries positive implications for political-security relations, it could, under certain circumstances, dilute existing political-security relations or, in the worst case,

make for tension among erstwhile allies and friends. For example, the creation of an East Asian Economic Group (EAEG) or a North American Free Trade Area (NAFTA), even if not protection-oriented, to the extent that the accompanying dynamics foster intra-group economic transactions and reduce those with countries in the other group, is bound to dilute trans-Pacific political-security relations in the absence of common strategic concerns. In the long run, without proper attention, these relations can atrophy. On the other hand, if the economic groups become inward looking and closed, then, not only will economic relations become tension laden and conflict prone, but political-security relations are also likely to suffer.

While the ongoing negotiations among the United States, Canada, and Mexico to create a North American Free Trade Area may eventually succeed, the creation of an East Asia Economic Group appears rather unlikely. As the United States is a key market for many East Asian countries, support for such a group has been rather lukewarm, if not negative. Even if it does materialize, it is likely to be inclusive, internationally competitive, and in accord with global multilateral arrangements. However, if the NAFTA and the EEC become protective, then this will provide the rationale and stimulus for a western Pacific economic bloc, with negative consequences for the political-security environment in the Pacific.

### Conclusion

Several conclusions may be drawn from the foregoing discussion. First, the end of the divisive dynamics at the systemic level has not resulted in "one" Pacific entity. In fact, the Pacific security environment is becoming more segmented. Until recently, the ideological and geopolitical conflicts among the major powers and accompanying threat perceptions provided the interconnecting link among most regional, local, and some domestic conflicts, and the rationale for alliances, alignments, coalitions, and networks. This sustained the notion of the Pacific as one entity or "system." With the end of the Cold War and the Sino-Soviet conflict, the interconnecting threads have been removed or have become less relevant, and the remaining conflicts have effectively become localized. The regional and local dynamics of these conflicts have now come

into their own and are proving to be as, if not more, difficult to resolve. The growing prominence and peculiarities of local security complexes make the notion of the Pacific as one security entity less tenable.

Growing intra-Pacific economic interdependence and the convergence of economic interest among erstwhile adversaries have integrative consequences and may contribute towards a more "integrated" Pacific. This, however, is not a necessary outcome. Thus far, economic imperatives have been significant in the integration of China into the Pacific and global economies, development of Soviet-South Korean and Chinese-South Korean relations, beginning of the dialogue between Japan and North Korea, and the positive disposition of Vietnam towards cooperation with Thailand and the other ASEAN countries. The formation and development of APEC and ASEAN are also significant in this context. They are institutional expressions of the integrative role of economics. APEC may in due course draw all the countries in the Pacific into a common cooperative framework. National welfare interests and the ensuing stake in a favorable environment coupled with the socialization among the political, bureaucratic, and business elite resulting from the process may inform political-security relations with much greater emphasis on peaceful change. This, if it does materialize, may contribute to the "unity" of the Pacific, however, it is an evolutionary process and thus a mid to long term prospect.

It is, however, pertinent to note that in nearly all the above cases, cooperation has been tempered by continuing "traditional" political and security considerations. In situations where there are direct political disputes, as between the Soviet Union and Japan or China and Taiwan, even strong economic imperatives have had little or no success in circumventing them.

While it has become common to perceive economic interdependence and growing convergence of interest in development as positive factors, they could also make for competitive and contentious relations. In the absence of mitigating factors and institutions, tension in economic relations can create or exacerbate existing political-security animosities. This is particularly relevant to the Pacific where there are many deep seated animosities (Japan and China; Japan and

Korea; China and Vietnam; Thailand and Vietnam; Singapore, Malaysia, and Indonesia). While it is possible to cite the fact that intense friction in US-Japan economic relations have not had a detrimental impact on their bilateral security relations, it is pertinent to note that there have also been many uniting/mitigating factors like the Soviet threat, the domestic and international political inhibitions that afflict Japan's international role, and the existence of bilateral institutions to address economic problems. This may not always be the case. It should also be observed that in the short to medium term, economic growth can give rise to problems of domestic legitimacy and political instability in several countries, and in the mid to long term, economically strong states (China, Vietnam, Indonesia) could become more assertive and aggressive.

The argument here is not to deny the integrative consequences of economics, but to point out its limits and also recognize that there is a down side as well. The key point, however, is that economic imperatives and developments give rise to new patterns of relations (cooperative as well as conflictual) with which traditional security dynamics have to compete. In the long run, the integrative effects of economic relations may well modify or even transform some of the traditional dynamics. In the short term, both are likely to coexist with economic considerations becoming more important but not completely negating the traditional dynamics. In other words, the present situation is one in which the divisive dynamics have become much less potent, but the integrative dynamics are not sufficiently strong to provide coherence to the Pacific as one entity.

Thus, so far as the Pacific security environment is concerned, prospects in the foreseeable future will be more segmented than integrated. This does not argue that thinking of Pacific has no value, but to place events in their proper perspective in light of the growing salience of local and regional dynamics. This has important implications in terms of the effective level for policy on conflict resolution, regional arrangements for peace and security, and confidence and security-building measures.

Second, greater stability is beginning to characterize the Pacific. All the major powers have reason to foster a more stable environment. Rapprochement among them also implies that

competitive engagement in local conflicts and the escalation of these conflicts with consequence for systemic security are rather unlikely, at least not on the scale witnessed in the past four decades. While the region continues to be strewn with domestic, bilateral, and regional conflicts, most of them are "controlled and/or stabilized" with forces favoring stability on the ascendant.

The convergence of interests among most states focussed on "developmentalism" also augurs well for stability. This optimistic perception, however, needs to be tempered for at least two reasons. First, domestic turmoil in the Soviet Union and China, and the potential for further instability in these two major actors, has the potential to negatively affect their international orientation and thus disrupt the stable environment that is emerging. This is particularly so in China, which has disputes with Taiwan, Japan (over Senkaku), and several Southeast Asian countries (in the Spratlys and with Vietnam). Caution is in order in perceiving these two countries as *status quo* powers.

Second, the intractable nature of many conflicts in the region implies they are unlikely to be resolved in the short to medium term. Apart from the possibility that they may be re-ignited given the appropriate circumstances, their continuation, albeit in a "controlled and stabilized" state, sets clear limits in terms of possible progress in the development of any sense of community and therefore cooperative frameworks in the region.

Third, the US has emerged, if only by default, as the only power capable of affecting political, economic, and military situations in all parts of the Pacific. Japan's political-security weight will increase, but this will be gradual and largely existential and not a function of proactive policy. Consequently, Japan's increasing political-security weight will be relevant primarily in the context of the balance of power in Northeast Asia. Except in relations to its own defense, Japan is unlikely in the foreseeable future to assume an independent regional political-security role. It appears likely to continue to discharge its responsibilities as a key member of the international community by underwriting American leadership and UN supported efforts to maintain peace and security. While China continues to aspire to a global and Pacific role, its capacity effectively limits it to mainland East and Southeast Asia. Notwithstanding

its emphasis on the development of its navy, China does not have the resources or technology to compete with the US or Japan. It will for the foreseeable future continue to be a land power with limited power projection capabilities. The Soviet Union, while still a military superpower, does not command the resources to compete with the US. In the context of the Pacific it is better viewed as a regional power that is relevant to Northeast Asia and the North Pacific. In addition to these limitations, none of these three countries is an acknowledged leader in the Pacific. The Soviet Union was once, but the Soviet political and security network in the Pacific is in the process of disintegration.

This leaves the US as the only real power with the resources and political will to play a political-security role throughout the Pacific. However, even the US is no longer able or willing to provide collective goods on its own. Despite the success of and the overwhelming support of the American people for the Bush administration in the Gulf War, the commitment of the American body politic for the order maintaining role in the Asia-Pacific region cannot be ascertained with any degree of certainty. The US, no longer willing to sacrifice short term national economic interests for the longer term common good, would continue to demand greater reciprocity and mutuality in relations with its allies and friends. Burden sharing will become a major theme, even more than in the 1980s. At the same time, the leadership role of the US, while acknowledged by many as necessary, does not carry the same support as before. The emergence of the US as a power without rival in fact creates apprehension in some smaller allies and friends. Generally, emphasis on burden sharing, diffusion of power issuing from the growing economic weight of actors in western Pacific, growing nationalism in some of these countries, the trend towards participatory politics, friction in economic relations, and the disappearance of common threat are all likely to make for a less cohesive US-led security network.

What would be the appropriate label to describe the foregoing distribution of power in the Pacific? Frequently used concepts like unipolarity, multipolarity, and bigeminy do not adequately convey reality. In fact they would be a misrepresentation. The US, while clearly the predominant power, cannot affect all situations

equally and may be unwilling to engage in situations in mainland East and Southeast Asia except in Korea. Multipolarity suggests equal capability among the major actors which, while reflective of the situation in Northeast Asia, is not the case in the rest of the Pacific. While the combination of the US and Japan assembles enormous resources, these two countries cannot dominate the region as implied in bigeminy. Meaningful Pacific-wide conceptualization appears to be difficult, but this is in accord with the conclusion reached earlier that the political security environment in the Pacific is becoming more segmented. In this context what counts is not the distribution of power at the systemic level but the power that can be brought to bear on individual situations.

Finally, change in the political-security environment in the Pacific will be evolutionary and not revolutionary as in Europe. Each of the many conflicts in the region has its own dynamics which have to be addressed separately. Resolution of a specific conflict, while altering the immediate environment and contributing to modification of the broader environment, is unlikely to lead to the resolution of other conflicts. For example, even the unification of Korea, while substantially altering the strategic environment in Northeast Asia, is unlikely to dramatically alter the strategic environment in the Pacific as a whole. Apart from a demonstration effect, the unification of Korea is also unlikely to alter the prospects for resolution of the Soviet-Japanese or China-Taiwan or Sino-Japanese disputes. The force of economics, a major factor in the Pacific, also acts gradually in transforming political-security relations. Thus the political-security environment in the Pacific may be characterized as in the process of a long transition with the future international orientations of Japan and the United States being critical determinants of its "eventual" structure and process.

#### Endnotes

<sup>1</sup>The Manila Pact which gave birth to SEATO continues in force, but its relevance is effectively limited to security relations between Thailand and the United States.

<sup>2</sup>It is difficult to be precise on the timing of this phase, especially its end. Gorbachev's July 1986 Vladivostok speech may be viewed as the beginning of the end of this phase and 1989, the year of Sino-Soviet normalization and the end of the Cold War, may be viewed as bringing this phase to a final close.

<sup>3</sup>James W. Morley, "The Structure of Regional Security," in *Security Interdependence in the Asia Pacific Region*, ed. James

W. Morley (Lexington, MA: Lexington Books, 1986), 19.

<sup>4</sup>Richard K. Betts, "The United States: Global Deterrence," in *Security Interdependence*, Morley, 45.

<sup>5</sup>Murray Hiebert, "Deeper in the Red," *Far Eastern Economic Review*, 21 February 1991, 46.

<sup>6</sup>See Muthiah Alagappa, "Soviet Policy in Southeast Asia: Towards Constructive Engagement," *Pacific Affairs*, 63, No. 3 (Fall 1990): 321-350.

<sup>7</sup>Tacit US support for the resumption of World Bank economic assistance to China is also tied up with the latter's abstention in the UN Security Council on the Resolution authorizing the use of force in the Persian Gulf.

<sup>8</sup>The projected increase for 1991-92, however, is 5.47 percent and includes funds for the purchase of an additional AEGIS equipped missile destroyer. See *Japan Times*, 29 December 1991, 1.

<sup>9</sup>For a quick overview of the Pacific economy see Seiji Naya and others, *Pacific Economic Cooperation in the Global Context* (Honolulu: East-West Center, undated), 1-59.

<sup>10</sup>William H. Gleysteen, "East Asia," in *Sea Changes: American Foreign Policy in a World Transformed*, ed. Nicholas X. Rizopoulos, (New York: Council on Foreign Relations Press, 1990), 52.

<sup>11</sup>C. Fred Bergsten, "The World Economy," *Foreign Affairs*, Summer 1990, 96.

<sup>12</sup>These and most of the other economic data in this paper, unless otherwise specified, are drawn from Naya.

<sup>13</sup>Robert Tucker makes a persuasive case for a more modest role. See Robert Tucker, "1989 and All That," in *Sea Changes*, Rizopoulos, 204-237.

<sup>14</sup>Tucker, 232-233.

<sup>15</sup>See the following: James A. Baker, US Secretary of State, "A New Pacific Partnership: Framework for the Future," address to the Asia Society, New York, NY, 26 June 1989; Richard Solomon, "Asian Security in the 1990s: Integration in Economics, Diversity in Defense," address to University of California, San Diego, Graduate School of International

Relations and Pacific Studies, 30 October 1990; and "A Strategic Framework for the Asian Pacific Rim," report of the US Defense Department, released 19 April 1990.

<sup>16</sup>For a good articulation of this view see Takakazu Kuriyama, Vice Minister for Foreign Affairs, "New Directions for Japanese Foreign Policy in the Changing World of the 1990s: Making Active Contribution to the Creation of a New International Order," 1990.

<sup>17</sup>The "defeat" of this bill is due not only to the lack of support from the public and the opposition parties but also due to lack of support from important segments in the ruling Liberal Democratic Party which view the bill as too passive and unduly restrictive of Japan's international role.

<sup>18</sup>One observer has argued that the US-Japan "special relationship" may now have been absorbed into the traditional Japanese concentric-circle image of the world with the "special relationship" now occupying the center that was previously occupied by Japan and the emperor alone. See Robert W. Cox, "Middlepowermanship, Japan, and Future World Order," *International Journal*, XLIV, No.4 (Autumn 1989): 861.

<sup>19</sup>For a brief but good discussion of US-Japan economic relations and the associated problems see Robert Gilpin, *The Political Economy of International Relations*, (Princeton University Press: 1987), 328-40; and relevant sections in Chapters 9 and 10.

<sup>20</sup>Bergsten, 99. The data cited in this sub-section is drawn from Bergsten, pp.98-99.

<sup>21</sup>Bergsten, 99.

<sup>22</sup>The figures for intra-Pacific trade are drawn from Naya, 8.

<sup>23</sup>See the summary statement of Senator Gareth Evans, Australian Minister for Foreign Affairs and Trade, delivered at the conclusion of the first APEC ministerial-level meeting in Canberra on 7 November 1990.

<sup>24</sup>For details of the Singapore led-Growth Triangle see "Southeast Asia: Development," *Far Eastern Economic Review*, 3 January 1991, 34-38.

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